

February 12, 2004

MAINE PUBLIC UTILITIES COMMISSION
Investigation Into Bangor Hydro-Electric
Company's Stranded Cost Revenue
Requirements and Rates

NOTICE OF PROCEEDINGS

I. DESCRIPTION OF PROCEEDING

On February 28, 2002 the Commission issued an Order Approving Stipulation in Docket No. 2001-239 which established a stranded cost revenue requirement for Bangor Hydro-Electric Company (BHE or Company) for a three-year period beginning March 1, 2002. Although the rates we established at such time were based on a three-year projection of costs and revenues, the Stipulation we approved, establishing such rates provided that during the three-year period, parties would be permitted to file a request with the Commission seeking a prospective adjustment of the Company's stranded cost rates based, wholly or in part, upon changes in the forecast of sales or any other change in adjustable stranded costs.

On January 30, 2004, in Docket No. 2003-945 the Commission issued an Order Denying Request for Accounting which denied BHE's request to defer the lost revenues from a special rate contract with Fort James Operating Company. In its Order denying the Company's request the Commission concluded:

“If the lost revenue realized from the Fort James contract was the only lost revenue erosion to be realized by the Company over the remaining 14 months of the current stranded cost period, the loss would be almost exactly offset by the projected decrease in stranded cost expenses. In looking at the information provided by BHE, it appears that the real potential source of BHE's problem is BHE's projection at this time that revenue from other customers will be significantly below forecasted levels, although such concern is through a revenue requirement investigation. We do not believe that an accounting order request, such as the one before us, is the appropriate vehicle to address an updated or modified sales forecast which the utility believes will put the Company in an under earnings position.”

The Commission noted that in denying the Company's request for an accounting order, it did not rule out the possibility that the Company's under earnings position if substantiated, might be addressed in some manner other than a full-blown stranded cost investigation.

On February 10, 2004, BHE filed a request that the Commission investigate the Company's current stranded cost rates. In its letter requesting the investigation, BHE notes that it is currently forecasting a significant stranded costs earnings deficiency over the next twelve months. In addition, BHE suggests in its letter, that given current economic conditions it would be appropriate to adjust stranded cost amortizations in a way that would accelerate the decrease in stranded costs rates currently projected to occur in March, 2005. BHE further suggests, to minimize the expense and burden of this proceeding, that an attempt be made at the initial stages of the case to reach an agreement with the parties on the issues in the case through an informal collaborative effort.

Pursuant to BHE's request of February 10, 2004, and to the provision, 35-A M.R.S.A. § 3208 the Commission initiates this investigation to determine whether BHE's current stranded costs are substantially inaccurate. As suggested by the Commission in their Order in Docket No. 2003-945 and by BHE in their letter of February 10, 2004, the Commission staff will, in the first instance at least, attempt to resolve this matter in a collaborative informal process.

II INTERVENTION

Interested persons wishing to intervene in this matter should file a petition to intervene in accordance with section 722 of the Commission's Rules of Practice and Procedure no later than February 23, 2004. Copies of all petitions should be sent to:

1. Gayle Killiam Morin
Bangor Hydro-Electric Company
PO Box 932
33 State Street
Bangor, Maine 04401-0932
2. William S. Harwood
Verrill & Dana
PO Box 586
One Portland Square
Portland, Maine 04112-0586

Objections to petitions to intervene will be considered at the case conference scheduled below.

III INITIAL CASE CONFERENCE

An initial case conference in this matter has been scheduled for February 24, 2004 at 9:00 a.m. The following matters will be addressed at such time.

1. Petitions to intervene and objections to such petitions;

2. Developing the parameters for the collaborative effort suggested by BHE;
3. Required information to be provided by BHE as part of the collaborative;
4. Discovery processes during the collaborative;
5. The initial schedule for the case.

IV SERVICE OF NOTICE

A copy of this notice shall be mailed to all parties and interested persons in Docket No. 2001-239.

Dated at Augusta, Maine, this 12th day of February, 2004.

BY ORDER OF THE EXAMINER

Charles Cohen
Hearing Examiner